



**SBA Supporting and Encouraging Economic
 Development Through Entrepreneurship**
 February 2004



D
i
s
t
r
i
c
t

D
e
v
e
l
o
p
m
e
n
t
s

First Four Months Show Strong Start in Lending

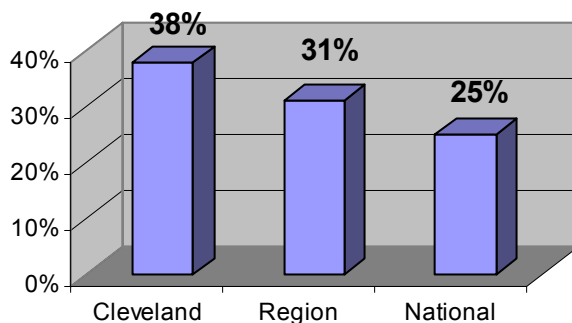
A review of the first four months show that the demand for SBA guaranteed loans is at an all time high. The top five banks in the district are as follows:



Lender	Number of Loans
National City Bank	76
U.S. Bancorp	43
Sky	35
Capital One	31
First Merit and Huntington	29 each

Lending is up on both a national and regional basis. The Cleveland District office is running 38% ahead of last year in its 7(a) lending program. This compares favorably with the Region which is running 31% ahead and the National numbers which show a 25% increase over this time last year.

Increase in 7(a) Lending



504 Lending Also Strong

Lenders are active in the 504 area as well.
 The following are the top five lenders in 504.

Lender	Number of 504s
First Merit	5
Bank One	3
GE Capital Key Bank Sky Bank	2 each

It is important that we continue the strong start that we have begun. The increase we have seen in our 7(a) lending has demonstrated the wide spread acceptance of the programs and the ease with which they are able to be utilized.

CDC	Number of Debentures	Total Projects Amount
Cascade	8	\$20,046,000
Growth Capital	4	\$4,002,000
MVEDC	3	\$1,160,000
Stark Dev. Board	3	\$4,145,000

In this Issue
 Lending Recap First 4 Months
 Small Firms Have Big High Tech Impact
 Small Business Week Plans 2004
 Free SBA Business Plan Clinics
 Small Businesses Save Billions
 New Rules for IT and Testing Labs
 Hotline to Assist Small Businesses

**Small Firms Have Big Impact
On High Tech
Small Firm Patents A Vital
Element In Many
Industries**

Small highly innovative firms have a big impact on many high tech industries, according to a report issued today by the Office of

Advocacy. The report shows that large firms in the biotechnology, medical electronics, semiconductor, and telecommunications industries are citing patents by small firms in higher than expected numbers.

“Small firms are contributing to technological innovation at an incredible rate,” said Thomas M. Sullivan, Chief Counsel for Advocacy. “Small firms are a vital element of new technology in many industries. This is particularly true in high tech areas that rely on young, innovative firms. As our report points out, small firms are making important contributions to America’s world wide technological leadership.”

Sullivan made the remarks at Calence, Inc. in Tempe, Arizona while addressing members of the Arizona Technology Council. Calence builds, manages, and optimizes customized, client-centric networks that meet an organization's specific business goals and requirements. The Arizona Technology

Council represents over 30,000 employees across more than 400 of Arizona’s leading technology companies.



The report, *Small Firms and Technology: Acquisitions, Inventor Movement, and Technology Transfer* written by CHI Research, also examines small firms contribution to the innovation process through acquisition by larger firms and the hiring of elite inventors. The report found that small firm contributions to technological innovations are best measured industry by industry. Their importance is not immediately apparent when all industries are considered, because small firms tend to be excluded from such key capital-intensive industries as automotive, aerospace, and oil research.

The Office of Advocacy, the “small business watchdog” of the government, examines the role and status of small business in the economy and independently represents the views of small business to federal agencies, Congress, and the President. It is the source for small business statistics presented in user-friendly formats and it funds research into small business issues.

For more information and a full copy of the report, visit the Office of Advocacy website at www.sba.gov/advo.

SBA Announces Plans to Commemorate Small Business Week 2004

The U.S. Small Business Administration’s annual National Small Business Week commemoration, SBA Expo ’04,



will be held in Orlando, Fla., May 19-21 at the Orange County Convention Center.

The celebration honors America's leading entrepreneurs, and includes the announcement of the National Small Business Person of the Year. Special events this year will include a small business expo, a business matchmaking event, business seminars, a town hall meeting, and award ceremonies honoring women entrepreneurs and state and national small business winners. Other highlights will include business industry leaders and speakers from trade associations, and state level and federal government.

"SBA Expo '04 will celebrate the many contributions of the small business men and women whose hard work and perseverance have created opportunities for millions of Americans," said Administrator Hector V. Barreto. "The SBA is proud to honor the spirit of entrepreneurialism that has helped strengthen the nation's economy."

SBA Expo '04 culminates national and regional events held to commemorate the SBA's 50th anniversary, which was launched in September 2003, at the SBA's National Entrepreneurial Conference & Expo in Washington, D.C. More than 3,000 participants from across the nation marked the agency's 50th anniversary. A highlight of NECE was the inauguration of the SBA's "Hall of Fame," which honored nationally known companies that started with SBA assistance.

Regional events to note the agency's 50th anniversary, SBA's Economic Growth Tour: Listening to America's Job Creators, will continue from January to April in locations throughout the country. The tour enables local entrepreneurs to discuss small business issues with Administrator Barreto, as well as their

local bankers, venture capitalists, resource and trade partners, and local SBA office.

For more information about SBA Expo '04, visit the SBA Web site at www.sba.gov/50

Free SBA Business Plan Clinic



Join us for an interactive clinic focused on development of a business plan. The result of this two hour session will be:

- A completed outline of a business plan
- An understanding of how to create financial projections
- A guide to resources to assist you in completing the plan
- An understanding of financing options including an overview of the SBA loan programs SBA/WECO Microloan Program

The two hour sessions will be held on the following dates:

- Wednesday, February 4
- Wednesday, March 3
- Wednesday, April 7
- Wednesday, May 5
- Wednesday, June 2
- Wednesday, July 7
- Wednesday, August 3
- Wednesday, September 1

Location:

Cleveland State University, School of Business, 1860 E. 18th, Room BU 209
Time: 3:00 – 5:00

**Reservations are necessary due to very limited space.
Please call 216-522-4180 X211**



American small businesses enjoyed \$6 billion in cost savings last year, due to the efforts of the Office of Advocacy of the U.S. Small Business Administration. That money would have gone to comply with overly burdensome federal regulations had not Advocacy worked with federal agencies to find effective and less burdensome regulatory alternatives.

“We’ve noticed an increase in the number of agencies that make a good faith effort to comply with the Regulatory Flexibility Act,” said Thomas M. Sullivan, Chief Counsel for Advocacy. “By choosing less burdensome alternatives they are able to meet regulatory goals without endangering job-creating small businesses. We will continue to work with federal agencies to ensure that they follow the law and listen to the voice of small business early in their regulatory process,” he said.

The 2003 compliance cost savings allowed thousands of small businesses to remain open. The savings also allowed thousands of others to invest in new jobs, equipment, or other resources.

The Report on the Regulatory Flexibility Act, FY 2003 details forgone regulatory compliance costs, as well as an overview of federal agency adherence to the law requiring consideration of regulatory alternatives. The report was formally presented to Congress yesterday.

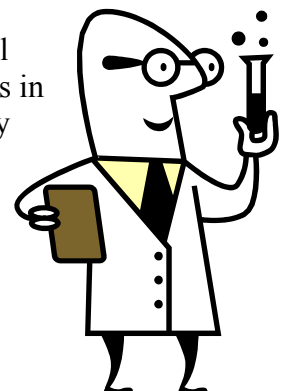
The report also reviews agency compliance with President Bush’s Executive Order 13272, which directs federal agencies to work closely with the Office of Advocacy when considering their regulatory affect on small business. The Executive Order puts new emphasis on how regulatory relief can help small business. “We expect even greater savings once the Executive Order is fully implemented next year,” said Sullivan

The Office of Advocacy, the “small business watchdog” of the government, examines the role and status of small business in the economy and independently represents the views of small business to federal agencies, Congress, and the President. It is the source for small business statistics presented in user-friendly formats and it funds research into small business issues.

For more information and a full copy of the report, visit the Office of Advocacy website at www.sba.gov/advo.

SBA Proposes New Rule Changes to Assist Small Businesses in the Information Technology and Testing Lab Industries

Two new rule changes will help more small businesses in the information technology and testing lab industries qualify for small



business contracting opportunities and assistance from the U.S. Small Business Administration. Both rules were published in the *Federal Register* on December 29, 2003, and become effective on January 28, 2004.

The SBA established a new industry category for Information Technology (IT) Value Added Resellers and set the maximum size standard to qualify as small at 150 employees. Under the new rule, a small business would be classified as an IT Value Added Reseller if it provides IT equipment and multi-vendor hardware and software along with significant services on a federal contract.

The SBA also increased its receipts-based size standard for small businesses in the testing lab industry from \$6 million in average annual receipts to \$10 million.

“After an in-depth analysis of these industries, we recognized their potential for growth,” said SBA Administrator Hector V. Barreto. “That’s why we created a new size category for IT firms and increased the size standard for small businesses in the testing lab industry - to ensure that they receive access to capital and their fair share of federal contracting opportunities.”

Before the IT reseller change, small businesses that contracted with the government to provide IT equipment and computer-related services were classified as manufacturers or non-manufacturers (distributors) with a size standard based on employees. Small businesses that provided services along with information technology equipment were classified as a computer services provider with a size standard based on receipts.

For purposes of receiving SBA assistance other than federal procurement, an IT Value Added Reseller must be primarily engaged in

providing IT equipment and computer software, and provide value added services, which account for at least 15 percent of its receipts, but not more than 50 percent. Value added services consist of, but are not limited to, systems integration, configuration consulting and design, training and product technical support.

The change will allow smaller IT firms to better compete for IT-related federal contracts and may result in an additional \$10 to \$25 million in contracts. The SBA estimates that more than 1,700 small businesses will qualify for SBA assistance as a result of this new rule.

The testing lab rule change was the result of requests from testing laboratories to review the size standard because of upgraded capacities and skills that federal agencies have recently required of laboratories. SBA examined factors including average firm size, distribution of firms by size, start-up costs, industry competition and patterns of federal procurement. Under this new rule, the SBA estimates that 120 additional firms generating 10 percent of sales in this industry will obtain small business status.

For additional information on the new size standards, visit the SBA’s Office of Size Standards Web page at www.sba.gov/size, and click on “What’s New?”

FTC Hotline to Assist Small Businesses and Other Victims to Recover from Web Cramming Scam

SBA had warned consumers about deceptive practices



The Federal Trade Commission has

launched a consumer hotline to assist alleged victims of a Web cramming scam operated by Miami-based Epixtar Corporation and several of its subsidiaries, including one formerly known as SBA Online, Inc. The hotline number is 202-326-2998 and will advise consumers how to obtain a refund.

The hotline was established as a result of a lawsuit filed by the FTC against Epixtar and its subsidiaries for allegedly violating federal law by deceptively marketing a free trial of Internet services, and then unfairly billing customers' telephone accounts without their expressed informed consent and without their knowledge. The FTC investigation was prompted in part by the U.S. Small Business Administration's objections to the unauthorized use of its trademark by the company and complaints to the SBA from small business owners.

Cramming refers to the practice of billing businesses for services that were never authorized and have little value. The bogus charges usually appear on businesses' telephone bills.

The SBA had warned small businesses across the country in March 2003 about a company calling itself "SBA Online" after receiving a number of complaints from members of the public advising that representatives of the company were contacting their businesses seeking to interest them in purchasing certain commercial services allegedly offered by their organization, or in paying to become members of "SBA." The SBA does not charge the public for its materials, nor for membership in its programs.

The FTC and the defendants last November agreed to an injunction that prohibits the companies from continuing this practice, requires the defendants to notify customers that they are being billed for Web services,

and also to permit customers to cancel any unauthorized service. The FTC's complaint alleged that the defendants "crammed" a charge of \$29.95 per month on the telephone bills of those businesses that did not cancel the service during the trial period, without obtaining consumers' permission to bill them.

The FTC is advising consumers who believe they have been victims of the scam to call the hotline for advice on how to proceed. Also, consumers who receive notices from the defendants stating that they are being billed for Internet services, are being advised to determine whether they authorized the charges and, if not, to call the number on the notice and cancel the service.